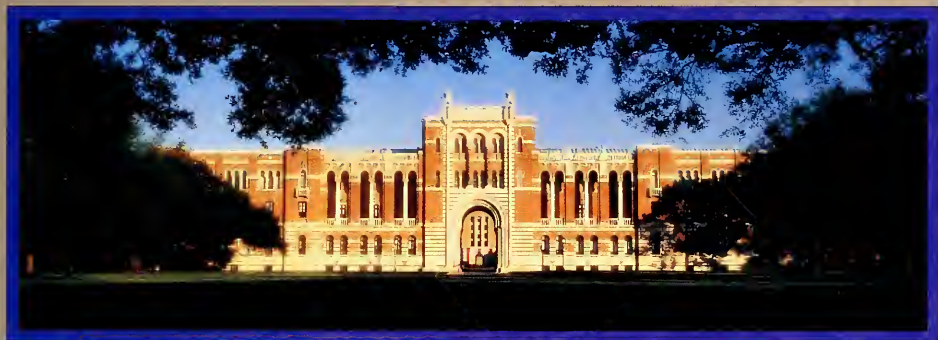


RICE • UNIVERSITY



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R E P O R T

O F • T H E

P R E S I D E N T

FROM THE PRESIDENT

I am pleased to present my third annual report. The two previous editions provided presidential perspectives on academic, financial, regulatory, and technological issues facing higher education generally, and Rice in particular, as the century draws to a close.

This year, I have asked Rice's eight academic deans to speak directly to our alumni and friends about their respective responsibilities. Each of the deans will portray for you salient aspects of the past and present of their schools, as well as prospects and plans for the future.

We are extremely fortunate in having assembled at Rice a group of unusually accomplished deans for each of our academic divisions. As a group, and individually as well, their careers are marked by outstanding scholarship and truly resourceful academic leadership.

In leading institutions of higher education across the nation, the average tenure of academic deans is typically less than three years. This is not the case at Rice, where resourceful and innovative deans have been a major source of continuity, often serving as leaders of their schools for more than a



decade. Those who have spent shorter periods as deans have generally ascended to very high positions of academic leadership at other top echelon universities. In any case, Rice deans have proven to be especially talented. They have shown themselves to be particularly adept at responding to challenges and im-

mensely capable in working with the provost, their own faculties, and deans of other schools in bringing Rice to a position among the top echelons of higher education. You will find their reports to be illuminating and concise.

The reports of the individual deans are presented in the following sequence:

- Wiess School of Natural Sciences
- Shepherd School of Music
- Jesse H. Jones Graduate School of Administration
- School of Humanities
- George R. Brown School of Engineering
- School of Social Sciences
- School of Architecture
- School of Continuing Studies

This sequence is clearly not based on any obvious logic. The presentations go back and forth to widely differing fields, beginning with science, switching to music and then to business and on to humanities. The order of presentation is intended to convey something of the richness of the Rice environment associated with our present configuration of academic divisions.

Wiess School of Natural Sciences

James L. Kinsey became dean of the School of Natural Sciences in 1987. A Rice graduate himself, Dean Kinsey is a chemist and a member of the National Academy of Sciences. Recent increases in undergraduate enrollment reflect a growing appreciation of the excellent programs and superb faculty Rice has in these areas. Major scientific discoveries in chemistry, physics, and biosciences at Rice, significant in their own right, are also laying foundations for new achievements in nanoscale science and technology across many disciplines.

Shepherd School of Music

The report from Michael Hammond, dean of the Shepherd School of Music since 1986, is fittingly supplemented by alternative testimony—in the form of a recording, which you will find on the inside back cover of this report—to the outstanding quality of the school. Rice has clearly been immeasurably enriched by the presence of the Shepherd School. The recording will help to bring that realization home to a wider constituency of Rice alumni. The costs of producing this CD have been covered in part by donations from friends of Rice and individual members of the Rice administration.

Jesse H. Jones Graduate School of Administration

During much of its existence, the Jesse H. Jones School of Administration has been led by Benjamin F. Bailar, who assumed his duties in August 1987. Under his leadership, the business school has emphasized strategic, state-of-the-art management and practical experience. Recently the school has developed a joint M.B.A./Master of Engineering degree with the George R. Brown School of Engineering. The Jones School is also engaged in active discussions of possibilities for collaboration with Rice's James A. Baker III Institute for Public Policy and with several institutions in the nearby Texas Medical Center.

School of Humanities

Dean of Humanities Judith Brown, historian, came to Rice from Stanford University in August of 1995. In addition to widely acclaimed scholarship, she brings a commitment to the strengthening of international programs. She depicts for you her focus upon strengthening the humanities faculty in general, building greater strength language programs, and developing stronger writing and communications skills in undergraduates.

George R. Brown School of Engineering

The School of Engineering, under Dean Michael M. Carroll since 1988, continues to build on a tradition of excellence with an award-winning faculty of international acclaim. Widely admired also for the high quality of their teaching, engineering faculty are leaders in research in various important dimensions of computational engineering, compu-

tational mathematics, computer science, and bioengineering, all of which involve substantial interdisciplinary collaboration.

School of Social Sciences

Robert Stein first came to Rice in 1987. Interim dean of the School of Social Sciences since last October, he has recently been appointed full dean of the school. His report details some of the significant advances made in Social Sciences in several key areas. One major success has been the role played by the school in establishing the James A. Baker III Institute for Public Policy and fostering its very fruitful first years of excellence.

School of Architecture

Lars Lerup, dean of the School of Architecture, came to Rice from the University of California-Berkeley in 1993. An advocate of international perspectives in architecture, he is also actively involved in international projects himself. In addition, he is adding computer design and other technological advances into the architecture program. Architecture graduates from Rice continue to face very good employment prospects.

School of Continuing Studies

Mary McIntire began her duties as dean of the School of Continuing Studies in July 1986. Since then the Rice program in continuing education in the humanities has become the largest such program in Texas and one of the best such programs in the country. Continuing Studies serves nearly 10,000 Houston-area residents each year with continuing education courses, seminars, and conferences on topics ranging from foreign languages, communication skills, and computer programming to education, natural sciences, and the arts. The school is a clear manifestation of Rice's commitment to lifelong learning.

The reports of the deans convey a sense of allied accomplishment and purposeful planning. Their reports are strongly evocative of the internal cohesiveness that marks the way the Rice community has always worked together to solve problems and seize opportunities. Their stories will be of great interest to all Rice alumni and all other friends of the university.

A handwritten signature in dark ink, reading "Malcolm Gillis". The signature is fluid and cursive, with the first name "Malcolm" written in a larger, more prominent script than the last name "Gillis".

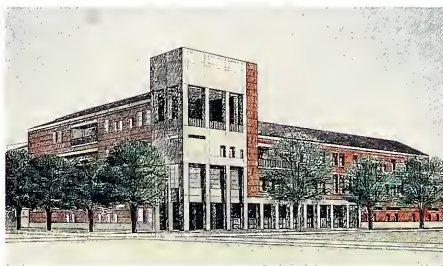
Malcolm Gillis
President, Rice University

THE · WIESS · SCHOOL · OF NATURAL · SCIENCES

“The 1994-95 academic year was full of notable events for the Wiess School of Natural Sciences.”

Among these was the approval by the Board of Governors for a new interdisciplinary Center for Nanoscale Science and Technology and plans for construction of a new facility to house part of the research laboratories for this center as well as most of the teaching laboratories of the chemistry department. Fund-raising activities for the benefit of

this new center are now under way. In keeping with the best of Rice traditions, this new building will thus serve both the cutting-edge research activities and the undergraduate teaching program. The center will be headed by Professor Richard E. Smalley, and its focus will be studies of the properties of materials and the control of their synthesis on the nanometer scale (a nanometer is one-billionth of a meter). This is the scale of atomic dimensions, and



Artist's drawing of the Center for Nanoscale Science and Technology, currently under development.

the ability to direct the placement of every atom in a complex three-dimensional structure has mind-boggling possibilities for producing substances with extraordinary properties. For example, one of Professor Smalley's projects is focused on nanotubes, which are carbon fibers with the famous fullerene structure discovered by

Smalley and his colleagues. From the known properties of elements in the periodic table, it can be shown that such fibers will have not only the greatest tensile strength of any known material but the greatest strength possible for any material.

The 1994-95 academic year was also a banner year for faculty recruitment. Six new faculty members were hired, two of whom will fill slots related to the nanoscale science program. Two of the six

come to us as full professors: Richard Gordon from Northwestern (as W. M. Keck Professor of Geophysics) and Andrew Barron from the faculty of the chemistry department at Harvard. Two of the new assistant professors are women, and one holds a prestigious American Heart Association Minority Scientist Development Award.

The faculty in natural sciences excelled both in teaching and in research. Five of Rice's teaching awards went to natural science faculty, and Frank Jones of the mathematics department won recognition by the Mathematical Society of America as a "Distinguished Teacher for Texas." Six of the faculty were also honored by prizes and other recognitions by professional societies in their specialties.

The number of undergraduate majors has grown by about 32 percent in the past five years. These majors are now almost 40 percent women and roughly 10 percent under-represented minorities. Roughly 55 percent of the undergraduate majors are in the biosciences. Chemistry, physics, and mathematics account for about 10 percent to 12 percent each. Graduate student enrollments dropped by about 10 percent in 1994-95, after having been almost constant for the previous three years. This

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reflects trends seen all across the United States, as smaller percentages of graduating seniors elect to continue into graduate studies.

Rice played a role in one of the most exciting developments in the world of science in the past year—the demonstration by two independent research groups of "Bose-Einstein condensation" of a gas. This phenomenon had been predicted by Albert Einstein over seventy years ago but until this year had never been observed because of the extreme requirements for very low temperature and high density. The first success was by a group at the National Institute of Standards and Technology at Boulder, Colorado, whose work employing ^{87}Rb atoms was reported in a paper in *Science*. Less than a month later, a group led by Pro-

fessor Randall Hulet of Rice's physics department also reported evidence for Bose-Einstein condensation, this time in a gas of ^7Li atoms. The Hulet group's results have now been published in *Physical Review Letters*.

James L. Kinsey
Dean

THE · SHEPHERD · SCHOOL · OF M U S I C

“The Shepherd School of Music has just celebrated the twentieth anniversary of its founding. It is the youngest of the nation’s major university-level music programs.”

Even most Rice alumni would, therefore, be surprised at both the quality and quantity of musical activity now generated on the campus. Actually, it is only since the completion in 1990 of our new building, Alice Pratt Brown Hall, that the Shepherd School’s impact on the cultural life of the university and greater Houston has been fully apparent. This building has quickly become a landmark in the educational and artistic geography of the region. Last year, for instance, attendance at concerts and recitals in Stude Concert Hall and in Duncan Recital Hall reached almost seventy thousand. The beauty of these spaces and their exquisite acoustics draw enthusiastic responses from both audiences and performers.

Over these twenty years, enrollment in the Shepherd School has grown to peak capacity, with just under three hundred students currently pursuing bachelor’s, master’s, and doctoral degrees. Beyond this, however, 250 other Rice students earn academic credit in the school each semester for courses in music



A performance by Cecilia Bartoli benefitted the Shepherd School’s scholarship drive.

history, theory, and composition as well as for private instrumental or vocal instruction and for participation in the school’s ensembles. Music now flourishes at Rice, contributing to the realization of Edgar Odell Lovett’s vision of the arts as one of Rice’s central strengths.

The Shepherd School’s faculty, students, and alumni are important participants in all of the city’s professional musical institutions. In addition, the Shepherd Society is the largest of all the university’s support groups. Its 1,300 community members provide financial assistance to students, organize the

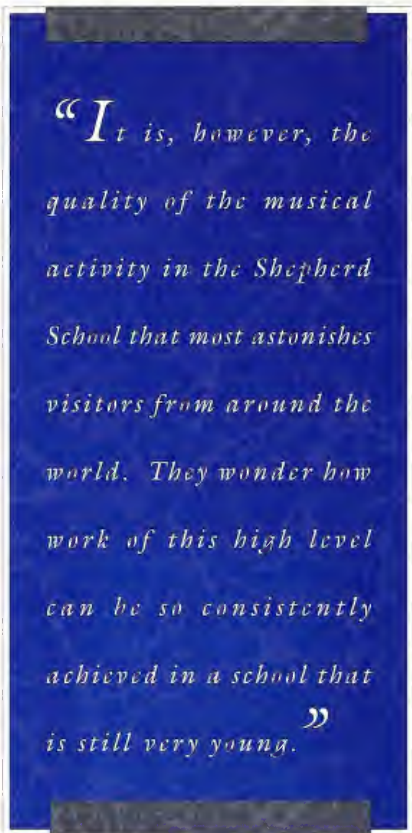
highly successful series of madrigal dinners each Christmas season, and find enjoyment in the special round of musical programs arranged for them throughout the academic year. Currently, the society is devoting itself to the school’s scholarship drive, the high point of which was a gala held on November 15. Cecilia Bartoli, the brilliant young Italian mezzo-soprano, performed in Stude Hall for one thousand guests, who

then dined and danced in a large tent adjacent to the building. Mrs. J. D. Bucky Allshouse, vice president of the Shepherd Society, planned and organized this very memorable event.

It is, however, the quality of the musical activity in the Shepherd School that most astonishes visitors from around the world. They wonder how work of this high level can be so consistently achieved in a school that is still very young. The answer is to be found in a remarkable faculty of very gifted and devoted performers, composers, and scholars. They set the most demanding professional standards and recruit students of outstanding talent who are committed to hard work and artistic and intellectual growth. Together these students and teachers constitute

a community of musicians in which achievement is the crucial measure. Beginning undergraduates are involved with advanced graduate students day in and day out in all forms of music-making. This creates a spirit of mutual engagement in a serious enterprise, of striving to meet the rigorous demands of the art, for one's own sake and for one's colleagues.

The results can be heard on the accompanying CD, which can be found on the inside back cover of this report. The costs of producing this CD have been covered in part by donations from friends of Rice and individual members of the Rice administration. We hope you will enjoy these performances by the stu-



"It is, however, the quality of the musical activity in the Shepherd School that most astonishes visitors from around the world. They wonder how work of this high level can be so consistently achieved in a school that is still very young."

dents of the Shepherd School. Hearing them, you will appreciate why it is that the school has moved into the highest ranks in recent years, why its students are winning national and international awards and important professional positions. You will also understand why Michael Tilson Thomas, the new conductor of the San Francisco Symphony, had cited the Shepherd School and the long-established Curtis Institute of Music in Philadelphia as the two major centers in the country for the preparation of aspiring orchestral players. We hope also that you will favor your friends by playing the CD for them.

New projects abound in the school. Our tracker-action pipe organ installation began several months ago. It will be completed in

March 1997. We have begun a preparatory program for precollegiate musicians in the Houston area, and we have developed several interesting research programs with scientists and clinicians in the Texas Medical Center. These involve exploration of the mechanisms of the human voice and of vocal vibrato as well as the intricacies of hearing and hearing loss. The atmosphere in the Shepherd School is truly one of inquiry and artistic accomplishment.

Michael Hammond
Dean

THE · JESSE H. JONES · GRADUATE · SCHOOL · OF ADMINISTRATION

“The Jesse H. Jones Graduate School of Administration will celebrate its twentieth anniversary in April 1996.”

Beginning with an average of twenty-five students and six faculty members in the early years, the school has grown to a student body of 240 and a faculty of fifty-four full-time and part-time members. The only school at Rice dedicated exclusively to graduate education, we confer the Master of Accounting, Master of Business Administration, and, in cooperation with the George R. Brown School of Engineering, the Master of Business Administration/Master of Engineering degrees.

As a professional school, we provide our students with a solid grounding in the latest advances in management and the opportunity to apply those principles to real-world situations. We emphasize the development of leadership, teamwork, and communication skills in group assignments throughout the curricula, culminating for MBAs in a management strategy re-



Students of the Jones School gain firsthand experience in problems confronting business today.

search project. In this semester-long field study, student teams work on strategic management issues facing Houston-area organizations.

Faculty research is enhanced by these opportunities to gain firsthand experience in problems confronting business today. Our key areas of research strength are in accounting, finance, marketing, strategy, and public policy. The full-time faculty is augmented by Houston-area business executives and professionals who teach elective courses, bringing practical experience to the classroom. Our Office of Executive

Development enhances this relationship with the business community through programs that our faculty members conduct for Houston-area executives and professionals.

Our most far-reaching relationship with the business community is through our Career Planning

Center. The staff members arrange interviews for our students with prospective employers and provide career counseling. Alumni of our school play an important role in activities of the center, not only as prospective employers but also as mentors to students.

Looking to the future, we are actively pursuing cooperative opportunities with other entities within and outside the university. Foremost is our collaboration with the Brown School of Engineering in offering the joint MBA/Master of Engineering degree. We have obtained support for this program in the form of an endowed professorship, the Friedkin Chair in Management, which will be filled by an individual holding a joint appointment with the Brown School. We remain ever receptive to collaborative initiatives involving institutions of the Texas Medical Center, especially in health management.

Our development efforts continue to be fruitful. In 1996 the school will receive \$3 million from Houston Endowment, Inc., the final installment of a \$10 million grant announced in 1991. We have also obtained a naming bequest for a student-managed investment fund, which has been approved by the Board of Governors. And we have

formed the Jones Graduate School Partners, a group dedicated to raising funds for current operating expenses and other designated needs.

Our most pressing need in the immediate future is for an expansion of Herring Hall. The present building lacks essential breakout rooms for the group work that is an integral part of our curriculum, and our facilities are inadequate for teleconferencing, computer simulations, and other technological advances that would give our students a competitive advantage in the workplace. We also need additional space to accommodate growth in our joint degree program with the Brown School of Engineering and to expand our executive development offerings, possibly includ-

ing an Executive MBA degree program. In short, Herring Hall's present configuration seriously hampers the school's ability to consolidate its position as the premier school of management in the Southwest, rivaling the best in the nation.

Benjamin F. Bailar
Dean



"As a professional school, we provide our students with a solid grounding in the latest advances in management and the opportunity to apply those principles to real-world situations."

T H E · S C H O O L · O F H U M A N I T I E S

“I am delighted to join Rice as the new dean of the School of Humanities and to have the good fortune to build on the solid foundation established by Dean Allen Matusow in the last fourteen years.”

Under his able leadership, the School of Humanities expanded in new directions, both in response to a changing world outside the university and to transformations within the humanities disciplines. As a result, we have experienced growth in such exciting areas as bioethics, neurolinguistics, Asian studies, African studies, Jewish studies, women and gender studies, and, most recently, Arabic studies, to name just a few.

Many of these fields point to the tighter links that bind people in a shrinking global environment. Because universities must prepare students to function in such a world and to contribute positively to it, we must provide them with the cultural knowledge and the tools to do so effectively. As dean of Humanities at Rice, my vision will focus on providing the best



Dr. Gale Stokes discusses with students the creation of the Center for the Study of Languages.

education to achieve this goal, particularly at the undergraduate level.

Our first priority in humanities will be to strengthen our students' knowledge of foreign languages. In the future, all Rice students should become proficient in at least one foreign language. I will work with our foreign language departments to strengthen our curriculum and

to create a Center for the Study of Languages that will use the latest computer-aided technologies and the best pedagogical techniques. To facilitate the participation of engineering and science students as well as those in humanities and social sciences, we expect to create study abroad opportunities that will place students in internships with companies outside the U.S. While pursuing career interests, students will

learn about the culture of their host country by living with local families, gaining an invaluable insider's view of a society different from our own.

Though study abroad programs will involve countries in Europe, Asia, and Latin America, particular attention will be paid to the latter because Latin America is of increasing importance to the U.S. and to Texas. Given its location and history, Rice has a natural advantage in becoming a leader in Latin American studies.

A second priority will be the strengthening and expansion of foundation courses in the humanities to be taken by students at early stages of their Rice experience. All our students should have the common intellectual experience of learning about the development of ideas and values that contributed to the many strands of our own culture. They should learn about the process of cultural interaction in our past and present, and they should do so through the reading of intellectually important books. They should be exposed to imaginative literature, art, and music as a source of lifetime pleasure, and they should be

encouraged to examine ideas and values critically so as to understand themselves and others.

It is particularly important that we help our students develop to the fullest their writing and their skills in oral communication. I will work with faculty in all humanities departments to introduce writing classes linked to the humanities foundation courses and to encourage additional writing-intensive courses across the curriculum.

We are justifiably enthusiastic about these initiatives. They address some of the most fundamental issues in undergraduate education. In the coming months I will work with faculty, students, alumni, and other members of the Rice community to get these programs under way. Your support and your ideas will be crucial to their success. I hope

to work closely with you to make this vision a reality.

Judith Brown
Dean

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THE · GEORGE R. BROWN · SCHOOL · OF ENGINEERING

“I am pleased to have this opportunity to report to you on the George R. Brown School of Engineering.”

Excellence in engineering has long been a tradition at Rice. We may assert, with confidence, that we have a truly outstanding engineering school. The intellectual caliber of our students improves each year. Our energetic faculty has maintained its commitment to excellence in teaching, even as our research programs have grown and flourished. We have a dedicated, effective staff, and our facilities are much improved as a result of recent and current construction.

One important measure of the reputation of our senior faculty is membership in the National Academy of Engineering. With the arrival of our new provost, David Auston, and this year's election of Riki Kobayashi, Rice's representation in the academy has grown from two in 1987 to ten in 1995.

The number of Rice alumni/ae in the academy has grown from eight to twenty during the same period. At the junior level, the National Young Investigator (NYI) award, which provides substantial research support, is a significant mark of quality. Six of our faculty



The Computational Engineering Building, currently under construction, is scheduled for completion next summer.

(Rich Baraniuk, Ric Barrera, Alan Cox, Steve Cox, Naomi Halas, and Jackie Shanks) have received this award from the National Science Foundation. Baraniuk also received an NYI award from the Office of Naval Research, and Tony Mikos received Outstanding Young Investigator awards from the Whitaker Foundation and the Materials Research Society. This year, the National Science Foundation's NYI program was replaced by a new program of CAREER awards, and two of our faculty—Sarita Adve and Peter Druschel—were selected.

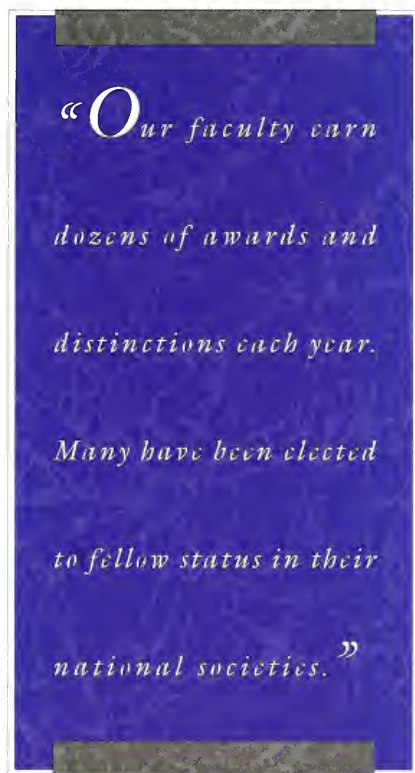
Our faculty earn dozens of awards and distinctions each year. Many have been elected to fellow status in their national societies; some are, or have been, presidents of their societies or sections; others have earned national awards for their

research and publications. Engineering faculty figure prominently in Rice's annual recognition of teaching excellence. It was no accident that Rice was one of ten universities chosen by the W. M. Keck Foundation for a special Award for Engineering

Teaching Excellence.

Two recent recognitions merit special mention. The first is Alan Chapman's election to honorary member of his society, the ASME. This is a rare and special honor. The second is the appointment of Sidney Burrus as the first holder of the Maxfield-Oshman Chair in Engineering. This chair was endowed by Rice alumni/ae to recognize both outstanding teaching and research.

Our engineering research programs involve undergraduates as well as graduate students. Key thrust areas are identified with our interdisciplinary institutes. Spurred by our successes in many areas of computation and information technology, including our NSF Center for Research in Parallel Computation, we are now embarked on an ambitious development campaign for computational engineering. The campaign has several programmatic elements, including endowed chairs, as well as a state-of-the-art facility designed by London architect John Outram and scheduled for completion next summer. Biomedical engineering has enjoyed two highly significant recent successes. Rice was designated a NASA Specialized Center of Research and Training, and the program is a finalist in competition for a major new grant. Our strong program in environmental engineering also enjoys national visibility. It includes the Advanced Applied Technology Demonstration Facility, funded by the Department of Defense, which involves five universities and four private companies and is head-



quartered at Rice. Finally, engineering is very well represented in the new Center for Nanoscale Science and Technology.

Our School of Engineering fared very well in the survey of Ph.D. programs recently released by the National Research Council. Seven of our graduate programs were ranked in the top thirty. Biomedical engineering was in the top ten and was ranked fourth in effectiveness in graduating new Ph.D.s. Computer science was ranked in the top twenty. A noteworthy new initiative is a partnership with the Jones School to develop a two-year joint M.B.A./professional master's in engineering program. Finally, annual sponsored research expenditures in our school have increased

from \$8 million in 1987-88 to \$20 million in 1994-95.

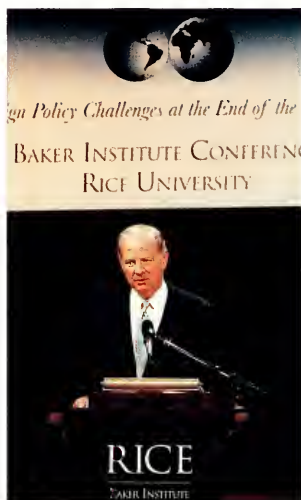
In addition, we have enjoyed considerable success in enhancing the gender and ethnic diversity of our student population, both undergraduate and graduate. Each of the last four freshman engineering classes had 30 percent women students. Our efforts to recruit minority students have met with some success, especially this past year. Our engineering faculty includes eight women, three Hispanics, and one African American, and we continue to work hard to improve this representation.

Michael M. Carroll
Dean

T H E · S C H O O L · O F S O C I A L · S C I E N C E S

“The School of Social Sciences is Rice’s youngest academic division and has come a long way since its inception in 1979.”

Currently, it is in extremely sound condition, meeting its fundamental research and instructional missions as well as should be expected for a division of its size. Over the past sixteen years, social sciences at Rice have evolved from what could have been regarded as a service division at a university focused on science and engineering into a position of full partnership, even leadership, across the campus. With respect to research, the most recent comprehensive national survey of social science departments (reported in November/December 1992 *Change* magazine) showed that two of Rice’s own (economics and political science) were the best or second best for their size in the nation, while a third (psychology) was singled out as the most improved department in any disci-



James A. Baker, III, addresses the inaugural annual conference of the Baker Institute for Public Policy.

pline surveyed nationally over a ten-year period. In addition, our anthropology department garners both national and international attention, and sociology may be the best teaching department, person to person, at Rice. With respect to teaching, social sciences continues to collect a disproportionate number of Rice teaching awards, even as we struggle with an undergraduate demand too large for our capacity to respond: three of our departments (economics, political science, and sociology) have ratios of B.A.s conferred to faculty head count among the highest in the university.

Plans for this division are tied closely to the success of the Baker Institute for Public Policy.

By 2005, we hope and expect that the Baker Institute will have met or exceeded all its short-

term goals, including those directly affecting academic programs. By that time, the institute itself will have achieved a solid integration with the programs and faculty in social sciences as well as with other affiliated areas of the university. Indeed, two key social sciences departments will reside in the new Baker Institute building. We also expect that we will have added new faculty in critical, policy-related areas of key departments (most centrally economics and political science, but others as well). We also expect the Baker Institute to become a significant source of increased support for graduate students in these areas. The presence of the Baker Institute will clearly facilitate enhancement in our programs dealing with international affairs in general (and Latin America in particular).

It is essential that as growth occurs in areas linked to the Baker Institute, we retain our traditional strengths and our specific pockets of excellence in areas of social sciences beyond public policy. Specifically, we have made a strong case for modest growth in selected areas, such as cog-

“Over the past sixteen years, social sciences at Rice have evolved from what could have been regarded as a service division at a university focused on science and engineering, into a position of full partnership, even leadership, across the campus.”

nitive neuropsychology, where we desire stronger links with the Texas Medical Center. We identified in 1990 a number of key goals important for improving the managerial studies major. Fulfillment of these goals would allow managerial studies to become one of Rice's better-taught majors. Barring an unforeseen downturn in undergraduate enrollment pressures or in demand for Ph.D. students in the job market, we do not anticipate downsizing any of our current programs.

The most critical step required for us to reach our goals will be the successful completion of the extended Baker Institute campaign. Reaching this financial goal will allow us to hire the full range of people and assemble the full spectrum of programs that we anticipated at the incep-

tion of our planning efforts.

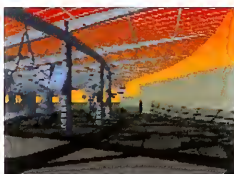
Robert Stein
Dean

T H E , S C H O O L , O F A R C H I T E C T U R E

“The Rice School of Architecture continues to enjoy a reputation for excellence, as evidenced by our ranking as the sixth top graduate school in the country by U.S. News & World Report.”

Since 1993 we have appointed five new faculty members and expect to appoint two more. These additions have had a remarkable effect on the energy and atmosphere in the school, particularly since four of the faculty members are in junior positions.

The achievements of the faculty are considerable. Professors Cannady and Casbarian have both won AIA awards for their recent buildings. Assistant Professor Bell has had a major show of his work at the University Art Museum at the University of California at Berkeley. Under the auspices of the Rice Center for Urbanism, Professor Lerup and Associate Professor Pope have completed a master plan for a housing project in Taipei, Taiwan. Assistant Professor Chang's practice has greatly expanded, with new commissions for a large suburban housing tract in Beijing and for a four-star hotel in Canton. Assistant Professor Wamble is currently finalizing the first electronic classroom in the Fondren Library. Associate Professor Ingersoll has completed one book and numerous articles. Assistant Professor



A RAVL image demonstrates the power of computerized architectural visualization.

Kwinter has published numerous articles, given important lectures, and been a visiting scholar at the Max Planck Institute in Berlin.

We have added over thirty computers to RAVL, putting us in the upper ranges of digitized architecture schools. We have installed a new student lounge and successfully turned our gallery into a multipurpose space, including auditorium, review space, and gallery. Important exhibits this year include

architectural works by Luigi Snozzi of Locarno and Hertzog & DeMeuron of Basel, all of Switzerland, as well as large photographs of nine world cities by Luciano Rigolini, a Swiss photographer and television director. *Architecture at Rice 35*, consisting of a portfolio of Rigolini's photographs and an article by Dean Lerup, has been published in connection with the exhibit.

Two lecture series have been instituted. The "Noon Stim" is organized by the students and has included nanotechnologists as well as architects. The "RSA Lectures" began this fall with Cullinan Profes-

sor Roberto Segre and subsequent lectures by several well-known architects and industrial designers.

Architecture at Rice has produced two publications: one on the architect Stanley Saitowitz and the other a graduate thesis by John Breshears.

In late summer the undergraduate students returned from preceptorship assignments in all parts of the world, including Tokyo, London, New York, Paris, and Milan.

Ten years hence we must assume that the technological revolution has matured enough to replace the traditional architectural means of representation. It also promises to offer new ways of thinking and performing design activity. We must assume that both the way we think about and perform these various activities will change, even dramatically.

We see our school not as the gatekeeper of the profession but the custodian of the discipline. Ten years from now, RSA will still center its concern on design activity in all its ramifications, from its business and practice to its ethics and theory. Consequently, the design studio will still be the focus of our preoccupations, a place to hone theoretical, practical, and social skills, where competitive spirits meet the demands for innovation through teamwork and the sharing of resources.

“Consequently, the design studio will still be the focus of our preoccupations, a place to hone theoretical, practical, and social skills, where competitive spirits meet the demands for innovation through teamwork and the sharing of resources.”

To maintain and improve upon RSA's competitive advantage, we must remain close to the ever-changing discipline and profession. This will require a top-notch faculty. Currently, our faculty is young and diverse. We must take care to recruit and retain both the practically and the theoretically inclined, men and women, young and old, the “hot” designer and the “cool” custodian. In all likelihood, we will need to expand both the staff and permanent faculty to meet the need for cultural diversity, to meet the technological challenges of computing and technology, and to fulfill fund-raising and communication goals.

Despite RSA's obvious success, we must continue to explore new professional opportunities by making the case for the general value of an education in ar-

chitecture. We can do this with some confidence, since it is clear that an increasing portion of our graduates are doing extremely well in associated fields, and they still refer to the design activity as their source of knowledge and inspiration, and they still say, “I am an architect.”

Lars Lerup
Dean

T H E , S C H O O L , O F CONTINUING STUDIES

“The past five years have been remarkable ones for Continuing Studies.”

Since 1990, we have offered nearly 1,200 noncredit courses and conferences plus ongoing courses in eight foreign languages and English as a Second Language, attracting more than 51,000 participants. During that time, we have also administered approximately 130 credit courses in the Rice Summer School, attracting approximately 1,000 Rice and visiting students. In 1992 we were named a school of the university, and in 1993 we celebrated the twenty-fifth anniversary of our first continuing education course.

We have developed a number of successful new programs:

- The annual Rice University Writers' Conference, first held in 1992, a two-day, multitrack program for writers of fiction, screenplays, and poetry that has attracted nearly nine hundred participants from across the nation and grants from the Cultural Arts Council of Houston.
- Cosponsored courses with every major arts institution in Houston.
- New technical courses in computer programming, operating systems, computer-aided design, data-



Dr. Robert Stein, dean of social sciences, is just one of many faculty members at Rice who share their experience and love of learning through the School of Continuing Studies noncredit courses.

base design, and data analysis.

- On-site courses for corporations in languages, cross-cultural communication, and computer programming.
- A week-long, residential program to prepare high school faculty to teach advanced placement courses in eight academic areas. In its first year, it attracted more than two hundred teachers to the campus.
- An internationally recognized annual program cosponsored with Rice's Institute for Biosciences and Bioengineering, "Advances in Tissue Engineering." Featuring faculty from Rice, the University of Texas Health Science Center, Baylor College of Medicine, other universities, and biotechnology corporations, the program has attracted corporate sponsors and the endorsement of the Society for Biomaterials.
- Programs that highlight Rice faculty, including the following:
 - "The Dean's Series," a program of lectures by a dean of one of Rice's schools and by some leading scholars of that school.
 - "The Year's Best," a course featuring Rice faculty

members who are winners of the previous year's major teaching awards.

- Cosponsored courses with many Rice departments.
- A new English as a Second Language program for international professionals to improve their communication skills.

We continue to improve our marketing efforts. We have redesigned our catalog twice in the last five years. During that time we placed approximately 140 stories in the print media locally and nationally about

Rice and our instructors. We have also begun marketing on the Internet (find us at <http://www.rice.edu/projects/depts/scs/>).

We are doing well in our mission to meet the educational needs of the larger community in a way that articulates the quality and standards of Rice University, but we see an opportunity to do much more.

The next five years will be crucial to the ongoing success of Continuing Studies. The future calls for the integration of new technology into teaching and learning, an increased focus on international issues, concern for pupils and teachers in the K-12 grades, and the successful collaboration with groups within and outside of Rice to meet the needs of a changing workplace, provide opportunities for lifelong learning, and advance the university. With those assumptions in mind, we are working to develop technical and professional classes on-site to businesses; to showcase Rice through collaborative efforts with the Rice institutes, centers, schools, and departments and with key off-campus professional, arts, and civic groups; to strengthen Rice's image through the me-



*“We are doing well in
our mission to meet the
educational needs of
the larger community
in a way that articulates
the quality and standards
of Rice University.”*

dia and improved publicity; to build the English as a Second Language and foreign language programs; and to design programs to improve K-12 education. Our audience could be multiplied tenfold, however, if we could take advantage of technology—video, real time interactivity, teleconferencing, CD ROM, etc.—to find new audiences for our existing courses and to develop new programs and new formats.

Within the next five years, we could, with appropriate support, begin to deliver our programs to larger audiences, on campus, on-

site to schools and businesses, and, using electronic means, thousands of miles beyond the hedges. However, Rice presently has neither the studios nor the technical support to broadcast our programs interactively—or even to videotape them. Many university classrooms are ill equipped electronically for computer instruction. Moreover, Continuing Studies would need expanded staff, more office space, and access to greater numbers of better equipped classrooms for these new activities.

We appreciate the president's support of lifelong learning, an activity we agree will become a core component of universities everywhere. We envision a time when Rice alumni and members of the global learning society could intimately and interactively be involved with Rice throughout their lives. Rice can and should be a leader in providing these opportunities to the broader community.

Mary McIntire
Dean

LOVE · BEAUTY · JOY

1 9 9 5

AND · WORSHIP · ARE

F I N A N C I A L

FOREVER · BUILDING

R E P O R T

UNBUILDING · AND

O F · T H E

REBUILDING · IN

U N I V E R S I T Y

EACH · MAN'S · SOUL

REPORT · OF · INDEPENDENT · PUBLIC · ACCOUNTANTS

To the Board of Governors, William Marsh Rice University:

We have audited the accompanying balance sheet of William Marsh Rice University (a nonprofit Texas corporation) as of June 30, 1995, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of William Marsh Rice University as of June 30, 1995, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Houston, Texas

October 27, 1995

WILLIAM MARSH RICE UNIVERSITY
BALANCE SHEET

*June 30, 1995, with comparative totals at June 30, 1994
(Dollars in Thousands)*

	1995						1994
	Current Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds	Loan Funds	Combined	Combined
ASSETS							
Cash, Receivables and Other Assets:							
Cash	\$ 1,114	\$ —	\$ 73	\$ —	\$ —	\$ 1,187	\$ 541
Accounts receivable	9,226	12,610	1,591	106	—	23,533	22,855
Loans, net of allowance for doubtful accounts of \$816 in 1995 and \$624 in 1994	—	—	—	—	6,090	6,090	5,882
Other assets	1,347	312	—	—	—	1,659	2,216
	<u>11,687</u>	<u>12,922</u>	<u>1,664</u>	<u>106</u>	<u>6,090</u>	<u>32,469</u>	<u>31,494</u>
Interfund Receivable (payable):							
Interest-bearing endowment fund advances	(135)	3,778	—	(2,900)	(743)	—	—
Noninterest-bearing advances	44,498	(46,026)	(474)	(77)	2,079	—	—
	<u>44,363</u>	<u>(42,248)</u>	<u>(474)</u>	<u>(2,977)</u>	<u>1,336</u>	<u>—</u>	<u>—</u>
Investments, at cost	<u>301</u>	<u>824,223</u>	<u>68,333</u>	<u>—</u>	<u>—</u>	<u>892,857</u>	<u>889,469</u>
Educational Plant, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>212,583</u>	<u>—</u>	<u>212,583</u>	<u>198,446</u>
<i>Total assets</i>	<u>\$56,351</u>	<u>\$794,897</u>	<u>\$69,523</u>	<u>\$209,712</u>	<u>\$7,426</u>	<u>\$1,137,909</u>	<u>\$1,119,409</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 17,373	\$ 4,657	\$ 65	\$ 1,706	\$ —	\$ 23,801	\$ 22,427
Annuities and life income payable	—	—	13,184	—	—	13,184	10,191
Assets held in trust for others	—	—	6,947	—	—	6,947	17,902
<i>Total liabilities</i>	<u>17,373</u>	<u>4,657</u>	<u>20,196</u>	<u>1,706</u>	<u>—</u>	<u>43,932</u>	<u>50,520</u>
Fund Balances:							
U.S. Government and private grants refundable	—	—	—	—	5,262	5,262	4,902
Annuity and life income funds	—	—	49,327	—	—	49,327	50,284
University funds—							
Unrestricted	3,418	—	—	—	—	3,418	4,645
Internally designated	21,899	—	—	—	—	21,899	17,412
Restricted	13,661	—	—	—	2,164	15,825	15,877
Income unrestricted endowment	—	376,880	—	—	—	376,880	388,747
Income restricted endowment	—	266,806	—	—	—	266,806	255,176
Unrestricted funds functioning as endowment	—	103,048	—	—	—	103,048	98,273
Restricted funds functioning as endowment	—	43,506	—	—	—	43,506	45,428
Unexpended plant funds	—	—	—	6,681	—	6,681	1,377
Net investment in plant	—	—	—	201,325	—	201,325	186,768
<i>Total fund balances</i>	<u>38,978</u>	<u>790,240</u>	<u>49,327</u>	<u>208,006</u>	<u>7,426</u>	<u>1,093,977</u>	<u>1,068,889</u>
<i>Total liabilities and fund balances</i>	<u>\$56,351</u>	<u>\$794,897</u>	<u>\$69,523</u>	<u>\$209,712</u>	<u>\$7,426</u>	<u>\$1,137,909</u>	<u>\$1,119,409</u>

The accompanying notes are an integral part of these financial statements.

WILLIAM MARSH RICE UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES

*For the year ended June 30, 1995, with comparative totals for 1994
(Dollars in Thousands)*

	1995										1994
	Current Funds			Endowment and Similar Funds		Annuity and Life Income Funds	Plant Funds			Combined	Combined
	Unrestricted	Internally Designated	Restricted	Endowment	Functioning as Endowment	Funds	Unexpended	Investment in Plant	Loan Funds		
REVENUES AND OTHER ADDITIONS:											
Investment income	\$ 33,829	\$ 81	\$ 15,985	\$ 5,407	\$ 1,803	\$ 787	\$ 205	\$ --	\$ 75	\$ 58,172	\$ 55,990
Realized gains on investments	--	--	--	6,226	2,214	4,063	2	--	--	12,505	34,510
Gifts and bequests	3,813	--	6,873	15,444	--	3,843	8,794	575	--	39,342	33,821
Tuition and fees	37,244	4,371	--	--	--	--	--	--	--	41,615	38,656
Grants and contracts	7,295	--	30,924	--	--	--	915	--	--	39,134	37,355
Unrestricted revenues of auxiliary enterprises	18,662	1,060	--	--	--	--	--	--	--	19,722	19,213
Additions to investment in plant—											
Direct expenditures (including \$11,542 charged to current funds expenditures in 1995)	--	--	--	--	--	--	--	27,731	--	27,731	20,630
Repayment of advances from endowment funds	--	--	--	--	--	--	--	419	--	419	396
Interest on loans receivable	--	--	--	--	--	--	--	--	173	173	178
Other	870	4,189	--	--	187	404	559	--	208	6,417	6,140
Total revenues and other additions	<u>101,713</u>	<u>9,701</u>	<u>53,782</u>	<u>27,077</u>	<u>4,204</u>	<u>9,097</u>	<u>10,475</u>	<u>28,725</u>	<u>456</u>	<u>245,230</u>	<u>246,889</u>
EXPENDITURES AND OTHER DEDUCTIONS:											
Educational and general expenditures	98,498	10,679	57,987	--	--	--	--	--	--	167,164	158,409
Auxiliary enterprises expenditures	20,043	966	737	--	--	--	--	--	--	21,746	21,944
Expended for plant facilities	--	--	--	--	5,853	--	10,336	--	--	16,189	7,743
Repayment of advances from endowment funds	--	--	--	--	--	--	419	--	--	419	396
Interest on endowment fund advances	--	--	--	--	--	--	225	--	--	225	295
Depreciation of plant facilities, including auxiliary and educational service facilities	--	--	--	--	--	--	--	13,589	--	13,589	11,387
Retirement of plant assets	--	--	--	--	--	--	--	579	--	579	338
Loan cancellation and collection costs	--	--	--	--	--	--	--	--	231	231	53
Total expenditures and other deductions	<u>118,541</u>	<u>11,645</u>	<u>58,724</u>	<u>--</u>	<u>5,853</u>	<u>--</u>	<u>10,980</u>	<u>14,168</u>	<u>231</u>	<u>220,142</u>	<u>200,565</u>
TRANSFERS AMONG FUNDS—											
ADDITIONS (DEDUCTIONS):											
Mandatory—											
Loan fund matching grants	--	--	--	--	(66)	--	--	--	66	--	--
Undesignated gifts	(85)	--	--	85	--	--	--	--	--	--	--
Provision for plant improvements	(3,742)	--	--	--	3,742	--	--	--	--	--	--
Funding of unrestricted current expenditures for equipment	3,742	--	--	--	(3,742)	--	--	--	--	--	--
Funding of principal and interest payments for plant additions	(644)	--	--	--	--	--	644	--	--	--	--
Matured annuity and life income funds	--	--	--	8,754	--	(10,054)	1,300	--	--	--	--
Other voluntary transfers, net	16,330	6,431	5,444	(36,153)	4,568	--	3,865	--	(485)	--	--
Total transfers	<u>15,601</u>	<u>6,431</u>	<u>5,444</u>	<u>(27,314)</u>	<u>4,502</u>	<u>(10,054)</u>	<u>5,809</u>	<u>--</u>	<u>(419)</u>	<u>--</u>	<u>--</u>
NET INCREASE (DECREASE) FOR THE YEAR	(1,227)	4,487	502	(237)	2,853	(957)	5,304	14,557	(194)	25,088	46,324
FUND BALANCE AT BEGINNING OF YEAR	4,645	17,412	13,159	643,923	143,701	50,284	1,377	186,768	7,620	1,068,889	1,022,565
FUND BALANCE AT END OF YEAR	<u>\$3,418</u>	<u>\$21,899</u>	<u>\$13,661</u>	<u>\$643,686</u>	<u>\$146,554</u>	<u>\$49,327</u>	<u>\$6,681</u>	<u>\$201,325</u>	<u>\$7,426</u>	<u>\$1,093,977</u>	<u>\$1,068,889</u>

The accompanying notes are an integral part of these financial statements.

WILLIAM MARSH RICE UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

For the year ended June 30, 1995, with comparative totals for 1994
(Dollars in Thousands)

	1995				1994
	Unrestricted	Internally Designated	Restricted	Combined	Combined
REVENUES:					
Educational and general—					
Endowment income	\$ 33,829	\$ 81	\$21,647	\$ 55,557	\$ 57,757
Tuition and fees	37,244	4,371	—	41,615	38,656
Government grants and contracts	6,176	—	26,715	32,891	31,656
Private grants and contracts	1,119	—	4,209	5,328	5,699
Gifts and bequests	3,813	—	5,416	9,229	8,988
Departmental sales and services	439	3,638	—	4,077	4,376
Other sources	431	551	—	982	689
Total educational and general	<u>83,051</u>	<u>8,641</u>	<u>57,987</u>	<u>149,679</u>	<u>147,821</u>
Auxiliary enterprises	18,662	1,060	737	20,459	19,669
Total revenues	<u>101,713</u>	<u>9,701</u>	<u>58,724</u>	<u>170,138</u>	<u>167,490</u>
EXPENDITURES:					
Educational and general—					
Instruction and departmental research	40,886	7,859	19,774	68,519	65,916
Sponsored research	—	—	27,723	27,723	26,815
Other sponsored programs	—	—	2,984	2,984	2,735
Library	7,853	553	346	8,752	8,055
Scholarships and fellowships	14,419	183	5,690	20,292	19,663
Student services	4,503	298	92	4,893	4,503
Operation and maintenance of plant	11,805	133	802	12,740	12,220
General administration	12,636	162	206	13,004	11,098
Institutional development and other	6,396	1,491	370	8,257	7,404
Total educational and general	<u>98,498</u>	<u>10,679</u>	<u>57,987</u>	<u>167,164</u>	<u>158,409</u>
Auxiliary enterprises	20,043	966	737	21,746	21,944
Total expenditures	<u>118,541</u>	<u>11,645</u>	<u>58,724</u>	<u>188,910</u>	<u>180,353</u>
TRANSFERS AND ADDITIONS (DEDUCTIONS):					
Mandatory transfers—					
Undesignated gifts	(85)	—	—	(85)	(26)
Provision for plant improvements	(3,742)	—	—	(3,742)	(3,623)
Voluntary transfers, net	19,428	6,431	5,444	31,303	25,653
Other additions (deductions)—					
Prior years' restricted receipts recognized as current-year revenue	—	—	(4,942)	(4,942)	(4,323)
Net transfers and additions	<u>15,601</u>	<u>6,431</u>	<u>502</u>	<u>22,534</u>	<u>17,681</u>
Net increase (decrease) in fund balances	<u>\$ (1,227)</u>	<u>\$ 4,487</u>	<u>\$ 502</u>	<u>\$ 3,762</u>	<u>\$ 4,818</u>

The accompanying notes are an integral part of these financial statements.

WILLIAM · MARSH · RICE · UNIVERSITY NOTES · TO · FINANCIAL · STATEMENTS

June 30, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of William Marsh Rice University (the University) have been prepared in accordance with generally accepted accounting principles for colleges and universities. Accordingly, the accompanying financial statements have been prepared on the accrual basis of accounting. Limitations and restrictions placed on the use of available resources are recognized in the accompanying financial statements through the use of fund accounting. Fund accounting is a procedure by which resources are classified for accounting and reporting purposes into separate funds in accordance with specified objectives or activities. Funds having similar characteristics together with all related financial transactions have been combined into fund groups in the accompanying financial statements.

The financial information shown for 1994 in the accompanying financial statements is included to provide a basis for comparison with 1995 and presents summarized totals only. Certain reclassifications of 1994 information have been made to conform to the 1995 presentation.

Current Funds

The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

The unrestricted current fund is used to account for those transactions related to the University's operating budget as approved by the Board of Governors. With the exception of auxiliary fund balances, any net increase in the unrestricted current fund balance after providing for funding of certain outstanding commitments and

planned future activities is transferred to unrestricted funds functioning as endowment.

Certain resources which have been designated for specific purposes by the University's management are presented under the internally designated caption.

The restricted current fund is used to account for funds expended for current operations but restricted by donors or other external sources for specific purposes. In the statement of current funds revenues, expenditures and other changes, restricted current fund receipts are reported as revenues when expended.

Current funds used to purchase equipment are accounted for as expenditures of the current funds. Certain equipment expenditures of the unrestricted current fund are funded by a transfer from that portion of unrestricted funds functioning as endowment described in Note 4.

Endowment and Similar Funds

Endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be spent. Gains and losses realized on investment transactions are recorded as increases or decreases to the endowment fund. Income from endowment funds may be restricted or unrestricted as stipulated by the donor. Investment income from restricted endowments may be expended only for the purpose specified by the donor; income from unrestricted endowments may be expended for any purpose approved by the Board of Governors, except for income from certain tracts of land which the founder required to be added to the corpus of the unrestricted endowment.

The Board of Governors has designated certain restricted and unrestricted funds to function as endowment funds. Restricted funds functioning as endowment are comprised of (a) restricted current gifts transferred by the Board of Governors, (b) the excess of restricted investment income over current fund expenditures and (c) gains realized on the investment of the above amounts. The principal of restricted funds functioning as endow-

ment may be expended, but only in accordance with the restrictions of the gift instruments. Investment income from these funds is also subject to the same restrictions as the original gifts.

Unrestricted funds functioning as endowment are comprised of (a) unrestricted current funds transferred at the discretion of the Board of Governors and (b) gains realized on the investment of these amounts. Unrestricted funds functioning as endowment may be expended for any purpose approved by the Board of Governors.

The University has adopted an endowment earnings distribution policy based on total investment returns, as permitted by the Texas Uniform Management of Institutional Funds Act. Under this policy, the Board of Governors approves a distribution for expenditure which is based on the earnings distribution of the preceding year and the market value of the endowment assets. Sources of this distribution for each restricted endowment fund, in the order utilized, are (a) earned income as traditionally defined (interest, dividends and rents), (b) reinvested earned income from prior years and (c) capital gains where not prohibited by the gift document. Sources of this distribution for the unrestricted general endowment fund, in the order utilized, are (a) earned income as traditionally defined (interest, dividends and rents) and (b) capital gains. When the approved distribution for a fund exceeds earned income as traditionally defined, the difference is shown as a voluntary transfer of endowment and similar funds to the current fund. Since the adoption of an endowment distribution policy in fiscal 1992, the sources of the unrestricted endowment distribution also effectively included unrestricted funds functioning as endowment in an amount equal to the income required by the founder to be added to the corpus, as discussed above. Beginning in fiscal 1995, the University discontinued using unrestricted funds functioning as endowment for this purpose and made a voluntary transfer of \$10,099,000 from unrestricted endowment fund capital gains to unrestricted funds functioning as endowment to conform prior years' policy to the policy now in effect.

Generally, income from unrestricted endowment and similar funds is reported as revenue of the unrestricted current fund. However, 27-1/2 percent of the net receipts from oil and gas royalties is retained in the unrestricted endowment fund after the related properties are fully amortized. Income from restricted endowment and similar funds is generally reported in the fund to which it is restricted. However, income which exceeds the budgeted distribution is recognized in the endowment and similar funds.

Annuity and Life Income Funds

Annuity and life income funds arise from gifts which are subject to the requirement that the University or its subsidiary act as trustee for the donated assets and periodically pay specified amounts to the designated beneficiaries. Generally, beneficiary payments are fixed for annuity funds and based on the income earned on the donated assets for life income funds. At a date specified in the gift instruments, usually the beneficiary's date of death, ownership of the donated assets will transfer to the University and the beneficiary payments will cease. Annuity and life income funds also include gift annuities which arise from gifts for which the University takes ownership of the assets at the date of gift with an obligation to periodically pay specified amounts to designated beneficiaries. Annuities and life income payable includes the discounted annuities obligation and undistributed life income fund earnings. Also included in the annuity and life income funds are certain agency funds classified as assets held in trust for others, for which the University serves as custodian.

Plant Funds

Plant funds consist of amounts in the educational plant together with unexpended gifts, grants, income and funds designated by University management which are held for acquisition, replacement or construction of physical properties. The educational plant is stated at cost for purchased assets and fair market value at the date of donation in the case of gifts. The University depreciates its educational plant assets (excluding library books and works of art) using the straight-line method over their estimated useful lives.

Certain capital projects and major maintenance projects for auxiliary enterprises are funded with interest-bearing advances from unrestricted funds functioning as endowment. The advances for capital and major maintenance projects bear interest ranging from 4 percent to 19 percent.

Loan Funds

Loan funds include (a) gifts and grants which are limited by donors for the purpose of making loans to students, (b) federal student loan programs financed primarily by the federal government and administered by the University and (c) advances to the loan funds from unrestricted funds functioning as endowment. The interest received on student loans financed by advances from unrestricted funds functioning as endowment is treated as endowment income.

Recent Accounting Pronouncements

In June 1993, the Financial Accounting Standards Board (FASB) issued Statement No. 116, "Accounting for Contributions Received and Made," and Statement No. 117, "Financial Statements of Not-For-Profit Organizations." Statement No. 116 will require that pledges receivable be recorded to a greater extent than previously and that grant commitments to others, if any, also be recorded. Statement No. 117 will have a significant impact on the format of the University's financial statements, requiring all funds to be aggregated into one of three net asset categories: unrestricted, temporarily restricted or permanently restricted. The FASB has also issued an exposure draft which, when adopted, will require that the University record its investments in marketable securities at market value (see Note 3). This exposure draft is expected to be finalized during 1996. The University currently plans to implement all three of these statements in fiscal 1996 and expects that the adoption of these statements as of July 1, 1995, would increase the University's net assets by approximately \$650,000,000, primarily from recording investments at market value.

2. GIFTS AND BEQUESTS:

It is the policy of the University to include gifts as revenues or additions to the appropriate fund balances only when received (see "Recent Accounting Pronouncements" in Note 1). Gifts and bequests without any designated obligatory use are required to be added to endowment, according to a legal interpretation of the University's charter. These gifts are recorded as revenues of the unrestricted current fund and as mandatory transfers to the endowment and similar funds.

Pledges outstanding at June 30, 1995, are as follows:

Current funds	
Unrestricted	\$ 50,000
Restricted	6,992,000
Total current funds	7,042,000
Endowment funds	14,428,000
Plant funds	14,635,000
Total pledges	\$36,105,000

3. INVESTMENTS:

Investments are recorded at cost at date of acquisition or fair market value at date of donation in the case of gifts. Investments in wholly owned corporations are accounted for in the endowment and similar funds under the equity method. Property taxes and maintenance costs on certain undeveloped real estate interests in the endowment have been capitalized (accumulated costs of approximately \$3,060,000 at June 30, 1995).

Virtually all endowment funds and all funds functioning as endowment participate in one common investment pool of marketable securities which is operated on a market value basis. Investments are made within guidelines authorized by the Board of Governors.

Investments (at cost) at June 30, 1995 and 1994, are as follows:

	1995	1994
Marketable securities (market value of		
\$1,499,357,000 in 1995 and		
\$1,241,711,000 in 1994)	\$851,682,000	\$850,315,000
Developed real estate	26,568,000	25,601,000
Undeveloped real estate	6,612,000	5,868,000
Mortgage loans	3,040,000	3,334,000
Oil and gas properties (net of accumulated		
amortization of \$25,675,000 in 1995 and		
\$25,660,000 in 1994)	1,085,000	945,000
Wholly owned corporations,		
at underlying equity	3,870,000	3,406,000
	<u>\$892,857,000</u>	<u>\$889,469,000</u>

Marketable securities in the table above include annuity and life income funds securities of \$65,489,000 (market value of \$91,525,000) and \$74,277,000 (market value of \$91,560,000) as of June 30, 1995 and 1994, respectively.

The following tabulation summarizes investment income and net realized gains (losses) for the year ended June 30, 1995:

	Investment Income				Realized Gain (Losses), Net			
	Current Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Other Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Other Funds	
Marketable securities	\$44,661,000	\$1,729,000	\$726,000	\$280,000	\$8,758,000	\$3,329,000	\$2,000	
Oil and gas properties	3,093,000	1,229,000	10,000	-	-	3,000	-	
Wholly owned corporations	929,000	4,306,000	-	-	-	-	-	
Other investments	1,411,000	(54,000)	51,000	-	(318,000)	731,000	-	
	<u>\$50,094,000</u>	<u>\$7,210,000</u>	<u>\$787,000</u>	<u>\$280,000</u>	<u>\$8,440,000</u>	<u>\$4,063,000</u>	<u>\$2,000</u>	

Investment income for annuity and life income funds includes \$4,253,000 which was distributed to beneficiaries during the year. The above tabulation includes \$199,000 of investment income in the current funds earned by auxiliary enterprise investments.

4. EDUCATIONAL PLANT:

Property and equipment of the educational plant at June 30, 1995, are as follows:

	Estimated Useful Lives (Years)	Recorded Amount
Land	-	\$ 9,650,000
Buildings and improvements	20-50	174,923,000
Equipment, furniture and library books	2-20	157,967,000
Construction in progress	-	10,814,000
Less—Accumulated depreciation	-	(140,777,000)
		<u>\$212,583,000</u>

Approximately 10 percent of unrestricted endowment income is transferred each year from unrestricted current funds to unrestricted funds functioning as endowment to fund a portion of plant improvements.

5. RETIREMENT PLANS:

Substantially all employees are eligible to participate in defined contribution retirement plans which are administered by outside agencies. The contributions of the University and the plan participants are applied to annuity contracts. The University's contributions to these plans of \$6,700,000 in 1995 were recorded as expenditures of the unrestricted current fund.

6. COMMITMENTS AND CONTINGENCIES:

There are several suits and claims pending against the University, the effect of which cannot be estimated at this time; however, officials of the University and legal counsel believe that the ultimate uninsured liability, if any, will not be material to the University's financial position.

The University was committed under contracts at June 30, 1995, for capital improvements and major maintenance of approximately \$21,339,000 to be financed primarily from funds functioning as endowment and gifts. Commitments of \$2,645,000 in the unrestricted current funds and \$864,000 in the restricted current fund were also outstanding at June 30, 1995.



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(as of March 1996)

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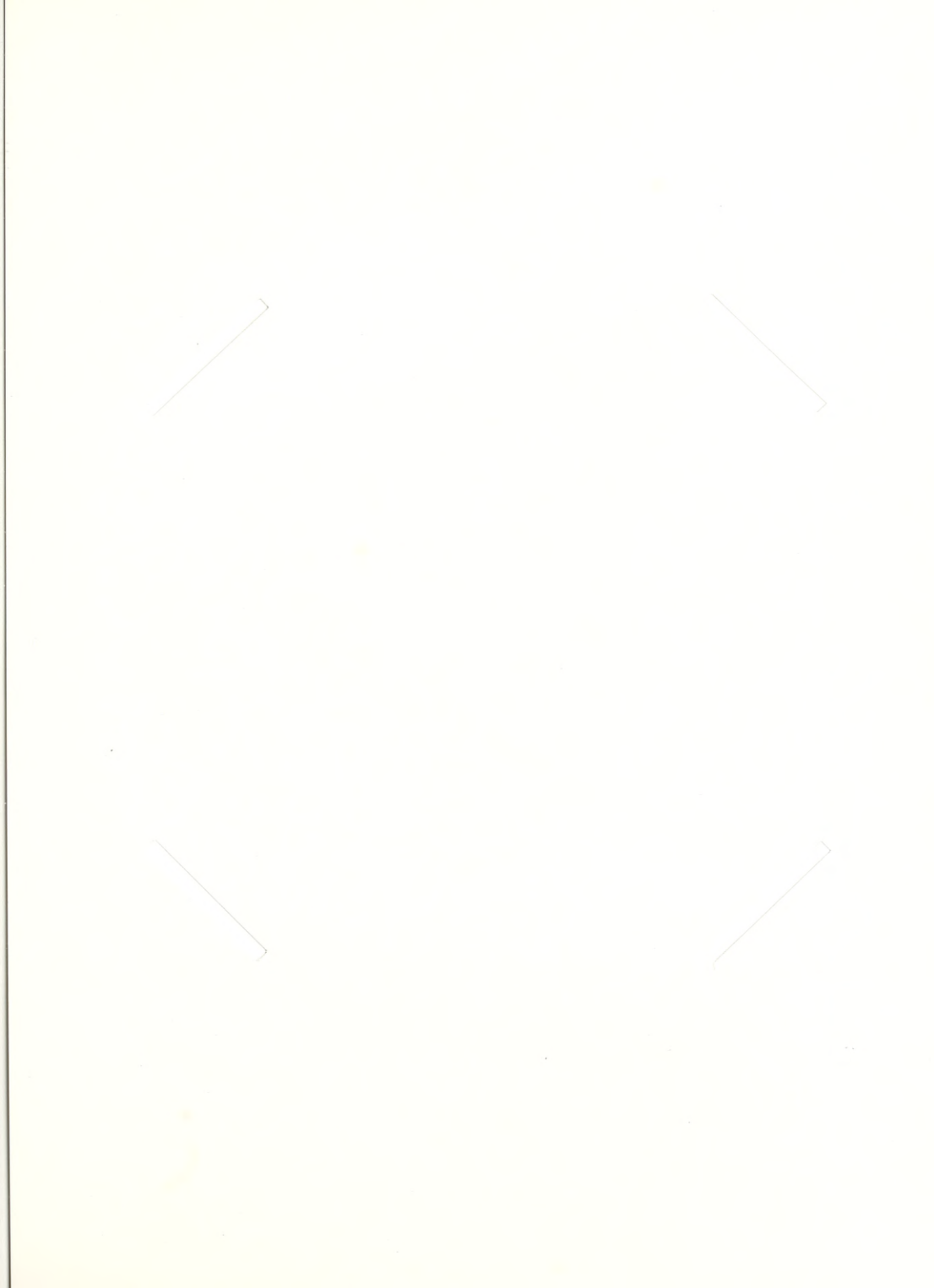
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